COMMITTEE WORKSHOP

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	
Informational Proceeding and Preparation of the 2004 Integrated Energy Policy Report (IEPR) Update	Docket No. 03-IEP-01
Re: 2004 Transmission Update White Paper	

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY BLDG.

CENTRAL VALLEY ROOM, SECOND FLOOR

1001 I STREET

SACRAMENTO, CALIFORNIA

MONDAY, AUGUST 23, 2004

9:14 A.M.

Reported by:
Peter Petty
Contract No. 150-04-002

COMMISSIONERS PRESENT

John Geesman, Presiding Member

James Boyd, Associate Member

ADVISORS PRESENT

Melissa Ann Jones

Michael Smith

STAFF and CONTRACTORS PRESENT

Judy Grau

Sandra Fromm

ALSO PRESENT

Keith Demetrak
California Department of Parks and Recreation

Jane Turnbull
California League of Women Voters

David Parquet
Babcock & Brown

David Geier
San Diego Gas and Electric

J. "Mohan" Kondragunta
Southern California Edison Company

Les Guliasi
Pacific Gas and Electric Company

Armando Perez
California Independent System Operator

Gayatri Margaret Schilberg
JBS Energy, Inc.
representing The Utility Reform Network

ALSO PRESENT

Bob Burt
Bobburt Energy Consulting Service
Insulation Contractors Association

Edmond Chang
Flynn Resources Consultants, Inc.
Bay Area Municipal Transmission Group

Jack Pigott
Calpine, Inc.

Mark Ward
Los Angeles Department of Water and Power

Manuel Alvarez
Southern California Edison Company

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P R O C E E D I N G S

9:14 a.m.

MS. WYMAN: If by chance you hear a siren or an alarm or I come running in, you need to follow me out. And the easiest way of doing that is going through the doors in the back of the room; we'll walk down the stairs; we'll go out the front doors and over to the park.

For those on webcasting we will probably just have a sign on the placard that says due to an emergency we will reconvene at a later time.

For those of you who are located in this building, out the doors and to your left are the restrooms. The cafeteria is downstairs. We will be providing water later on. I apologize for not having coffee; the coffee pot disappeared. So, we tried.

We are having your hearings webcast and if you have any questions and you are participating via webcast you can write your questions to our staff on air at arb.ca.gov and we will print out your questions and staff will read them out or hand them over to the Commissioners.

With that, if you have any other questions I'm going to be in and out. My name is

Sue Wyman and I work with the Air Resources Board. Thank you.

MS. FROMM: Good morning, I'm Sandra Fromm; I'm the Assistant Program Manager for the 2004 Integrated Energy Policy Report. I'd like to welcome you here today and thank you for your participation.

Today's workshop will be on transmission. We'll have two additional workshops later this week, one on aging power plants and the other one on renewables. We expect that a draft Committee document will be released September 15th, and we'll have hearings around this date to take public input. And October 20th we'll release the Committee document. And it will be considered for adoption on November 3rd.

For today's workshop you can participate by calling in. The number is 1-888-658-8648; the passcode is 30284; or you can email us at ieprhearing, that would be all one word, @energy.state.ca.us. And if you're here today you can fill out these blue cards if you'd like to speak today. If you don't want to speak but would like to leave some comments we also have a comment sheet at the back of the room.

The presentations made by staff today will be posted on the web. And there are also different copies of their presentation along with the transmission report at the back table in the room.

With that I'd like to turn the workshop over to the Committee.

PRESIDING MEMBER GEESMAN: Thank you, Sandra. I'm John Geesman, the Presiding Member of the Commission's Integrated Energy Policy Report. To my right is Commissioner Jim Boyd, the Associate Member, and the Presiding Member of the Commission's 2003 Integrated Energy Policy Report Committee.

This is an update to the 2003 report. As Sandra indicated, today's subject is transmission. Before we get into that I would like to thank the ARB and Secretary Tamminen from Cal/EPA for making these facilities available to us. We've moved our process this over to the Cal/EPA Auditorium in order to better facilitate webcasting the proceeding.

We apologize to those of you in the audience for that more imperial feel this venue has than the Energy Commission's hearing room.

But if you would speak loudly i believe the microphones operate the same way those at our place do. Just make certain the green light is turned on before you address us.

We have written comments due, Sandra -- do we have a deadline for written comments?

The deadline for written comments on the report will be September 2nd. I'd encourage you to provide your comments to us in writing. They are all read and carefully evaluated.

With that, Commissioner Boyd, do you have anything to introduce with?

ASSOCIATE MEMBER BOYD: Just to add to y our welcome to everybody. Thank you for being here. This is a workshop. It's supposed to be fairly informal, and as Commissioner Geesman, this is an awful formal imperial place. I took my coat off to make you feel more comfortable. Also because it's sticky out there.

In any event, I look forward to the input we get today. And with that, Commissioner Geesman, I turn it back to you.

PRESIDING MEMBER GEESMAN: The first presentation is from the staff. Judy, where are you?

MS. GRAU: Okay, I'm Judy Grau with the Commission Staff. And I'd like to begin -- sorry, I've got to kind of address everybody so my head will be turning back and forth. Hopefully the mike will catch it.

I'd like to begin actually first by thanking all of the staff who participated in bringing together our white paper, which there are copies on the back table.

We are assuming that many of you have had the change to at least become familiar with it, so my presentation will assume that you do have some familiarity with it.

I'd like to begin by thanking the staff who participated in the development of the report. First of all, Kristy Chew, Don Kondoleon, Mark Hesters, Bob Strand and Clare Laufenberg-Gallardo. And I believe they're all here in the audience today.

We have some contractor support from Lynn Alexander of LMA Consulting; and Susan Lee of Aspen Environmental Group.

Our cartography support was from Jacque Gilbreath and Terry Rose. And finally, our editing and publication support was from Elizabeth

Parkhurst who is here, as well as Mignon Marks, Evelyn Johnson and Wilma Lee.

I've got sound effects in here; my son had some fun with my presentation over the weekend.

Okay, so we have four topics we're going to cover today. Sort of an overview of the report process; a summary of the recommendations; reiterate the workshop questions, which are also on a handout in the back; and then talk about next steps.

And so general approach, we started with the 2003 energy report which was our first of the biennial reports. And we used those recommendations as our starting point for this year's update work.

In terms of background reports we had four consultant reports to help focus the workshop topics and to begin building our record for this 2004 update.

We did have a total of four workshops, beginning November 2003, and then one each in April, May and June on transmission. And we used those as an opportunity to receive oral feedback from stakeholders and interested parties, many of

whom are here this morning.

And then finally we had a written comment period before and after each workshop to enable people who couldn't be here to provide some input to be docketed. And speaking of which, already for today's workshop we have received two sets of comments that have been docketed. I don't believe they have been posted on our website, but they will be by the end of today. And they are from Donald Clary and from David Parquet -- is it Parquet or Parquet?

MR. PARQUET: The second.

MS. GRAU: Parquet, okay, who will also be making some remarks this morning.

And so what I'd like to do is just go through each of the major chapters in the report and sort of summarize our staff recommendations. First, chapter 2 on strategic benefits and long-term transmission planning. We had five major recommendations.

The first was to conduct biennial examination of long-term needs; to conduct an annual examination of short-term projects; explore the use of a social discount rate to evaluate transmission benefits; explore the quantification

of insurance value provided by transmission; and other strategic benefits that heretofore may not have been quantified. And to continue the development of a transmission vision.

Chapter 3 covers transmission corridor planning and development. And we had five major recommendations from there.

The first is to conduct corridor studies on high priority corridors. And most significantly among them is the Tehachapi wind resource area. Second, to investigate corridors and right-of-way banking with instate and federal lands. Third, to investigate the IOU's ability to hold property in the ratebase. Fourth is to investigate the land banking concept for transmission corridors. And fifth, to coordinate state-led corridor planning efforts with the California Independent System Operator planning process.

There you go, another sound effect.

(Laughter.)

MS. GRAU: Okay, chapter 4, alternatives to transmission. We had two major recommendations.

The first was to establish a mechanism

for insuring early and effective stakeholder involvement in the planning process for specific projects. And second, to provide for early recognition of system problems in order to facilitate effective identification of alternatives.

And chapter 5, physical system needs. Our primary recommendations are to continue updating the transmission project watch list. That watch list was created by the three energy agencies involved in the energy action plan, the state energy action plan. And that would be the Energy Commission, the Public Utilities Commission, the California Power Authority, and then also the California Independent System Operator participates in that.

The second recommendation, to provide independent review of the work in the Public Utilities' proceeding, their investigation 00-11-001. That has, I think it's phase 6 is Tehachapi.

Third is to investigate the formation of a Salton Sea study group similar to the one that was formed for Tehachapi. And fourth, to investigate the operational issues associated with renewables integration.

All right, and so now turning to the workshop questions, we do have those on handout in the back, but I will go over them, especially for the people listening in who may not have them in front of them.

We had some general questions which we would like anybody to give us some feedback on; and then we also had specific questions for each chapter.

So beginning with the general questions, did the Commission Staff accurately capture parties' input in this proceeding. Are there other relevant points to be included. Did the staff draw appropriate conclusions from the record to date. Did the staff identify the appropriate next steps and future actions. And how should the state implement its recommended next steps.

And then specifically on chapter 2, what steps are necessary to engage in long-term transmission planning in the 2005 energy report process. And is the use of a social discount rate, when evaluating transmission system additions, an appropriate method to reflect the long useful life, 30 to 50 years or more, and the public goods nature of transmission investments.

And if so, under what conditions. And if so, what is the appropriate percentage rate to use.

On chapter 3 on corridor planning, do you agree with Commission Staff's recommendation number one on page 39 of our report, our white paper, to conduct corridor or right-of-way studies on selected projects, including the Tehachapi wind resource area; why or why not.

How should the Energy Commission work with the appropriate state and federal agencies to develop a policy for designating utility corridors across state or federally owned land. And with respect to the property held by investor-owned utilities in their ratebases for future use, is the current time limit of five years appropriate; why or why not.

And should the staff investigate the consequences of the Public Utilities Commission decision 87-12-066 and the assertions that this decision prevents utilities from including property in their ratebases indefinitely.

Next, how can the concepts of sight, land, right-of-way banking, state adoption of corridors and program environmental impact reports help foster better regional and local transmission

planning and development. What other concepts should the Energy Commission investigate. And how can the state begin facilitating the incorporation of state, local and regional electricity infrastructure planning.

And how should corridor planning be incorporated into the Cal-ISO grid planning process.

I'm sorry, one more on chapter 3. Is it appropriate for the Energy Commission to address the issue of multi-use corridor planning that considers other forms of public infrastructure, such as natural gas pipelines, telecommunications and transportation.

And then on chapter 4, what specific mechanisms should the Energy Commission use to insure early and well publicized stakeholder meetings in the project area.

On chapter 5, should a study group be formed to develop a transmission plan for the Salton Sea geothermal resource area. If so, who should be included and what should the group's objectives, including timing, be.

And with respect to operational issues associated with integrating a large number of

renewables into California's transmission system, what are some of the experiences and best practices of others that the Energy Commission should consider. And how do those lessons learned apply to California.

And then specifically with respect to the Tehachapi wind resource area, does SCE, Southern California Edison, see any barriers to submitting its certificate of public convenience and necessity filing by December 2004. And if they do see barriers, what can be done to address them.

In support of the goal of 20 percent renewable energy by 2010, when would an analysis to determine whether adding a fourth circuit to path 26 need to be completed to determine whether the additional circuit could provide an outlet for wind sales to PG&E. Is PG&E planning to pursue this option; why or why not.

And how is the possible development or purchase of wind from the Tehachapi area to meet Los Angeles Department of Water and Power's renewable portfolio standard being incorporated into transmission planning for the Tehachapi area.

And so our next steps, Sandra mentioned

some of these. I'll just continue on with that thought. We'd like to hear from our invited speakers now. We had the agenda -- we already had at least one person be added to the agenda. They'll go after the ones already listed. That's Armie Perez of the California ISO. And other others. And then we'd like to hear from other members of the public.

As Sandra mentioned, our draft summary document should be released September 15th. And that summary document will include the other two major topic areas for this 2004 update, which is aging power plants and renewables.

And then finally the hearings around the state, so choose your favorite venue. And we hope to receive comments from everybody there.

And then, also as Sandra mentioned, the release of the final Committee document will be October 20th. Consideration for adoption by the full Commission November 3rd. And then we are going to transmit our final document to the Governor in November.

And my son wanted this one in here. And always the entrepreneur.

(Laughter.)

MS. GRAU: He's 11 years old, so he's not old enough to work anyway. All right, thank you.

So do we have any questions, or would you like to go right on to our speakers? If there's no questions for me we'll just move on.

PRESIDING MEMBER GEESMAN: Thanks, Judy.

MS. GRAU: All right, thank you.

PRESIDING MEMBER GEESMAN: First one up on my list is Keith Demetrak, California Department of Parks and Recreation.

MR. DEMETRAK: Well, good morning, Members of the Commission. My name is Keith Demetrak; I'm Chief of Planning for California State Parks. And I was asked by staff of the Energy Commission to address the Commission on the question of how should the Energy Commission work with the appropriate state and federal agencies to develop a policy for designating utility corridors across state of federally owned land. And I guess the short answer to that question would be closely.

Let me say that, at least speaking for State Parks, and I won't speak for Forest Service lands or National Parks, although I think we share

a common mission, at least with the National Park Service, that we consider these parks as special places.

We consider the placement of a utility corridor or any intrusion in the park for a nonpark purpose in much the same fashion as you would look at a crossing of a national cemetery or a national cathedral in much the same manner.

However, we're also mindful of the state's needs for energy, water and all the things associated with a growing population. There are certain regulatory and policy requirements that we consider in addressing the question of utility corridors and transmissions across state park property, some of which are statutory, some of which are policy.

There is a Commission policy, that's the California State Park and Recreation Commission, on undergrounding of utilities. And quite frankly, we're finding in some cases that's probably not the best alternative. It's Roman numeral III.8. And it essentially says that utilities shall be placed underground in units of the State Park System, exceptions may be permitted by the option of the Director.

In terms of the regulatory kinds of things there are probably three requirements that we look at. The California Public Park Preservation Act of 1971 provides that a public agency that acquires public parkland for nonpark use must either pay compensation that is sufficient to acquire substantial equivalent substitute parkland or provide substitute parkland of comparable characteristics.

Similarly, Public Resources Code 5024 and 5024.5 related to CEQA requires a state agency that proposes a project which may result in adverse effects on historical resources listed or eligible for listing in the National Register of Historic Places or the California Register of Historic Resources to consult with the State Historic Preservation Office and to identify feasible and prudent measures that will eliminate or mitigate the adverse impacts.

And then finally, at the federal level, the Act that set up the land and water conservation fund provides federal moneys for which many of our parks or portions of parks require, and that's the -- I can give you the citation later if you'd like -- has a requirement

that the Act prohibits the conversion to a nonrecreational purpose or property acquired or developed with these grants without the approval of the Department of the Interior.

Section 6F directs the Department of the Interior to insure that replacement lands of equal value, monetary, that is, location and usefulness are provided as conditions to such conversions and so forth and so on.

So we are bound by certain state and federal laws and statutes, as well as policy, to closely consider the question of transmissions across State Park properties.

And I should also indicate that state parks are divided into eight classifications and three subclassifications. It's everything from the major classifications are things like state parks, state reserves, state seashore, wayside campground, state historic parks, state beaches, state recreation area and state reserve.

The three subclassifications, that is classifications that are found within the boundaries of existing park units are state wilderness, state natural preserve and state cultural preserve.

And looking at a statewide policy for the transmission lines or corridors across state park properties I think the things that come most to mind are to avoid those resources and particularly as maybe exemplified by the classification of the most sensitive park areas. That would be things like state wilderness, state natural or cultural preserve, state reserve, and to a certain extent, state parks.

To focus more on those areas there where there's probably already more of a developed or disturbed environment. That's going to be off-highway vehicle areas, state recreation areas.

And, in fact, many of our state recreation areas are reservoirs that were created to either store water or store water for hydropower and transmissions. And so you'll find transmission lines already traversing these park units.

Aside from that at the statewide level the thing that we would probably look for are locating transmission lines along already disturbed areas, and that would be generally along park roads. Because oftentimes it isn't so much the initial transmission line, itself, that causes

us the kind of a long-range concern; it's the ongoing maintenance and routine maintenance of these areas and the need for additional roads and traffic along undisturbed areas.

Beyond all that the suggestion that I would most offer is to work closely with our district and superintendents and our field staff. Our Department, the 279 units in the State Park System are divided into 18 districts. And each district has one or more sectors to it.

In the case of Anza-Borrego, which is the Colorado Desert District, and there are three sectors; including one sector that is Anza-Borrego, itself.

And what I'd like to do is just read briefly to the Commission a copy of an email transmittal that went between myself and the sector superintendent for Anza-Borrego, Mark Jorgensen. His comment was:

Our best luck comes from working in the field with the power company representatives, biologists and technical staff to meet both of our missions. Mutual respect has paid off, though there are still some inherent suspicions on both sides. Getting familiar with each other and

practicing some give-and-take has worked so far. We now have worked on two post-fire" -- and that's the major fires that were in southern California last year -- "where we are moving major lines out of the canyons and roadless areas of the park over to our paved or dirt roads."

"Statewide we are having to create new corridors or replace lines, it would be beneficial to consider putting utilities adjacent to paved or designated dirt roads. What we have found so far is that there is a lot of pole maintenance on older lines and annual veg control around poles for fire prevention. And in the wild areas the major work often calls for work to be done by helicopter."

"If we get lines up next to the roads it makes for a situation where all the maintenance work can be done from the roadside using boom trucks and we don't have to get so involved with the power company to mitigate impacts."

Further, his initial response to my question about how is this working in the case of Anza-Borrego and San Diego Gas and Electric, his comment is: Our take on the subject is that with the metro areas of San Diego, Orange County and

L.A. to our west and northwest, there are going to be ever-increasing pressures to deliver power, water and petroleum products from the interior of the county to the coast."

"Since Anza-Borrego is about 70 miles in length from north to south there are obviously going to be negotiations to bring power corridors across the park. Indeed we have met with SDG&E, Mr. Jeff Sykes, Supervisor and Environmental Coordinator, and Mr. Phil Bunch, Biologist, and driven the corridor which would most likely serve the needs of a future 500 kV power line."

"Currently there is a 69 kV line which basically traverses the middle of the park in an east-west direction along highway 78. On its western end the park turns northwesterly up the Grapevine. We discussed the concept, which the Park can agree with, of increasing the 500 kV using taller steel poles with longer spans than the current wooden poles. The taller poles with spans two to three times the current span would actually have less physical impacts on the ground, on archeological sites, riparian areas, wildlife habitat, plant disturbance, et cetera. Although they will have a much higher visual impact along

the corridor."

"We agreed in concept in the field that Parks will work with SDG&E or Sempra or whatever it takes to make this massive energy increase a reality in the future. Where we discussed what will be off-limits to new power corridors are the designated state wilderness areas within Anza-Borrego. The areas not designated as wilderness are the margins of current power lines and along paved highways and county roads."

"Thus the idea of putting any new power lines in the park centers on placement along already disturbed routes, i.e., paved highways, as discussed in the energy briefing paper. We can and will work with SDG&E. We've worked with them successfully in (inaudible) Rancho after the big fires to place the power corridor along state highway 79."

"This allows future pole and line maintenance to be done from paved roads" -- I mentioned that already. We are more than willing to get together with anybody any time we can bring along our GIS technology with archeological sites, eagle nests, bighorn lambing areas, water sources, veg layers, and, yes, even power line right-of-

ways to discuss these."

So I think at the district level it can work very well, and kind of a mutual respect for both our mission as well as the need for the energy, or whatever the corridor transmission is.

There are some statewide things that can be done in terms of siting location with respect to some of the classifications we have.

We can also look towards, you know, how can some of these transmission corridors benefit the basic mission of parks or some of these state or federal areas. And that is that some of these corridors can create conductivity between major habitat areas. If we look long distance, that's one of the greatest problems, especially facing habitat these days, it's both the loss of habitat, but primarily the loss of conductivity of that habitat. Perhaps these long-range or long-distance corridors can connect some of that, particularly across private lands where we're currently having problems.

They can also provide trail opportunities. And there's, you know, trail use, hiking, bike, equestrian is the single largest recreation activity in California. Perhaps

there's some opportunity to work jointly so it accomplishes not only their mission, but our long-range mission, as well.

Do you have any questions?

PRESIDING MEMBER GEESMAN: We sure want to thank you for your contribution. And I think that when we get the transcript of the remarks that you quoted from, it will prove quite helpful.

My question is whether or not you have a regular planning process in your 200-plus units that addresses electric transmission corridors; or whether it's more of a project-by-project as particular sponsors want to address your concerns they bring those to your attention?

MR. DEMETRAK: Well, we do not have a project, we do not have a plan in place, nor do we have it scheduled to look at transmission corridors across park boundaries statewide. We react to them on the basis of either a hearing like this where there is a proposal for how these might be -- might encourage that way.

And I'll use, for example, the high-speed rail proposal right now. We've looked at what's been proposed there, and currently we're looking at potential impacts on 23 park units up

and down the state. Obviously those cause us greater or lesser concern, depending on which parks are affected and how. So we would have to have provided to us some idea of where the potential impacts are. And then beyond that the question is always going to be on a park unit-by-park unit basis.

In the Public Resources Code it requires that all park units have a general plan complete, a park unit general plan completed before there is a quote "permanent commitment of the resource." Of the 278 units that we have in the State Park System we probably have current general plans on less than half of those. And, quite frankly, it is a staffing issue for our Department.

PRESIDING MEMBER GEESMAN: If we get involved on a couple of discrete corridors in a planning function are there specific projects or processes that you could point to that we ought to consider a model? Or are there specific ones that we ought to avoid because of your past experience with them?

MR. DEMETRAK: Well, I'm sure we've all experienced, you know, successes and failures throughout. I think the process that's working at

San Diego with Anza-Borrego and San Diego Gas and Electric seemed to me, at least from my remote location, to be a model that's working pretty well. Again, there's kind of mutual respect and early communication. I think that's always the key to all these kinds of potential impacts. That you never want to get surprised kind of at the last minute, whether it's a highway, transmission line or what-have-you.

So, as early as possible communication and then, you know, the model that's occurring at San Diego I think is a good one. I will say that they probably have a greater complement of staff resources to deal with these kinds of potential impacts with his mentioning the GIS staff and inpark resource ecologist, archeologist and so forth. But many of our park teams don't have that full complement of staff with all those resources, and so there would have to be some borrowing from headquarters or one of our service centers. But, as early as possible, again, we could probably arrange to have that occur.

The other model that we use for planning for all of our park units is contained in a tiny handbook that we have for creating those park unit

general plans. I will say that it does not deal that extensively with transmission corridors. It deals mostly with kind of how we plan for the resources that are there, and for the visitor experiences that we want to create.

PRESIDING MEMBER GEESMAN: Well, again, I want to thank you for your contribution here today. I find it very helpful.

MR. DEMETRAK: All right. Thank you.

ASSOCIATE MEMBER BOYD: Keith, a question or two. Good morning.

MR. DEMETRAK: Good morning.

ASSOCIATE MEMBER BOYD: Good to see you again. My first question is reflecting back on work I know you and I've done in the past years, is -- and hopefully the answer is yes -- but, is California Parks perhaps the best agency for an agency like the Energy Commission to consult on the multiple land owners that exist and may be involved in corridor work?

As you were talking I was remembering other work of the past few years, BLM, you know, all the parts of the Department of Interior, the Forest Service, et cetera, et cetera, all have lands. And we've got concerns of multiple state

and federal agencies for the use of those lands for different purposes. Fish and Game, Fish and Wildlife Service, et cetera, the Wildlife Conservation Board we know is a big player.

Can we feel pretty comfortable in working with the parks people that you have a pretty good handle on a lot of the requirements or the nuances of dealing with such a broad base of people?

And the main reason for asking that is another favorite subject of mine, is the possible multiple corridor use in maybe one more or less set of broad-based planning that could possibly take into account more than just transmission line needs. And you already made reference to using roads, hiking, biking, equestrian trails and what-have-you. It's just one simple example of multiple use that was referenced earlier. Pipelines, et cetera, et cetera.

It's hard to think of a single focal point to work with. And Parks comes to mind as one. Is this a good source of information for us on this, or are we going to have to reach out to this whole encyclopedia of agencies?

MR. DEMETRAK: I can imagine the dilemma

there, and, of course, I'd like to say that Parks is always the best at everything that we do, but one other thought does come to mind. And that is the Biodiversity Council out of the Resources Agency. Because the Biodiversity Council also includes participation, and active participation by the federal agencies, National Park Service, Forest Service, Bureau of Land Management and others are well represented on that Council and are active participants in it.

So, it would seem like this question would be one that would be welcomed and well addressed by the Biodiversity Council, and I could see where it could even be the subject of a special Biodiversity Council meeting.

So I think we have in State Parks a good handle on both the kinds of impacts that affect both resources as well as visitors. And, you know, while I said that we want to keep it out of the most sensitive of areas, the natural preserves, cultural preserves, the sensitive archeological sites, historic areas, we want the visitors' experience to be, you know, the best it can be, as well. And, you know, certainly huge towers and transmission corridors are not

aesthetically pleasing and can be an intrusion on that, as well.

And I think we have a good handle on that as compared to an agency like the Department of Fish and Game or perhaps working closely with them. But I think, if not us, I think the Biodiversity Council would be a good entity to work with and a good model to work with.

ASSOCIATE MEMBER BOYD: Good point, thank you.

PRESIDING MEMBER GEESMAN: Thanks, again. Jane Turnbull and Jane Bergen from the League of Women Voters of California.

MS. TURNBULL: I'm sorry, Jane Bergen is not with me today. So, I'm on my own, but I've got a compatriot, Jane Barr. To be on our committee you pretty much have to have the name Jane. But we do open it up to others, as well.

Commissioners Geesman, Boyd and Ms. Fromm, the League of Women Voters of California is very pleased to be here today to participate in these very important proceedings.

We appreciate the fine job that staff has done in capturing the League's input into this proceeding. We have just one fairly minor point

that we would like to make.

We were asked in an early workshop whether the League would support the inclusion of energy as a specific concern in the general plans of local cities. Our position was and is that energy availability and services should be planned at the regional level. Individual cities should address utility planning and local energy needs that would be encompassed within their immediate context.

Because integrated planning is vital to insure reliable economically viable and environmentally sound energy for our state we would not want to see regional planning become marginalized because of parochial local issues.

Apart from this we believe the staff's report and the proposals for future actions are well developed.

The League endorses the workshop approach that the Commission has used over the last 18 months. The coordinated statement of priorities by the three state agencies in the energy action plan is truly valuable. We applaud the ancillary efforts of Cal-ISO, the IOUs and the CPUC to evaluate transmission planning in a manner

that encompasses economic benefits and renewables, as well as reliability.

Finally, we believe that there is a single most important outcome of the deliberations of these past months. That is the recognition of the importance of long-term transmission planning. Done well, this can mean that our electric system can be developed in the decades ahead in a manner that will truly meet our society's needs and values.

We are also pleased that the Commission recognizes that there are alternatives to transmission that must be addressed in this long-term planning equation.

California has not been a leader in coordinated land use planning. This is a concern that should be addressed and soon. Optimal siting for energy facilities in the decades ahead will require both foresight and flexibility.

The population centers of our state will continue to grow, along with the demand for energy in those areas. Coordinated land use planning can make it possible for our state to have an electric system that balances resource diversity, system costs, protection against contingencies,

environmental protection and changes in consumer patterns.

The League supports the staff recommendation to support corridor or right-of-way studies, because we support deliberative planning at a regional level. We recognize that there are political and financial challenges with regard to acquisition of rights to land that will not be used for 10 or even 20 years.

On the other hand, the increasing problem of facility siting on privately owned lands, including the public's response to use of eminent domain, make a good case for corridor acquisition.

The League has been considering what options are available to take on the role of land use planning and management. We do not advocate creation of a new political entity to take it on. To start with we believe that land use planning must be tied into good GIS data. The Department of Forestry and Fire Protection was initially the leader in the development of detailed GIS systems. And the products of their work are now increasingly available to all parties in the state.

The Energy Commission's PIER project that evaluated the availability and location of renewable resources in the state made excellent use of that capability.

As we noted in our comments last Wednesday on the scope of the 2005 IEPR the League recognizes that energy and water availability and use are closely interrelated. We note that regional water quality control boards are in place and have a grasp of regional resource issues. We are not making a recommendation, but given the close alignment of energy and water concerns, we hope that the task of energy rights-of-way and facility planning is addressed in conjunction with a comparable need for long-range planning for our state's water resources.

We agree with the staff's conclusion that transmission of energy and, in particular, electricity is a public good, just as the availability of electricity, itself, has become a public good.

Consideration of a social discount rate for financing transmission is probably a useful exercise. It will be difficult, however, to justify extending such a financial benefit to

transmission investments when the interdependency of generation, distribution and transmission is so evident.

We will leave it to the economists to propose the best ways to establish the cost and values of electricity. In any event, if a social discount rate process is proposed, it should be immediately intelligible to the general public.

Thank you for including the League in the workshop today.

PRESIDING MEMBER GEESMAN: Well, as always, Jane, thank you very much. Those comments, I think, will prove quite useful to us as we craft our Committee report.

ASSOCIATE MEMBER BOYD: Thank you.

PRESIDING MEMBER GEESMAN: Dave Parquet. Babcock and Brown.

MR. PARQUET: Commissioner Geesman, other Members of the Commission, appreciate the opportunity to speak today. We also appreciate the Energy Commission's efforts to assist in the approval or the expansion of the transmission system in the state.

My comments relate primarily to either providing an update for those of you who are aware

of the project, or making you aware in the first case of the project.

I do have a presentation which looks like it's trying to find its way to the screen. But the project that we're talking about is a merchant transmission line that we are developing in cooperation with the City of Pittsburg.

It's a merchant line and its intention is to provide a, let's say a direct connection between PG&E's Pittsburg substation and PG&E's Potrero substation in San Francisco.

The specific purpose of this line, as we have characterized it, is to address a problem in San Francisco that has been the case for years and years and years. The specific problem in San Francisco is one that probably historically could and should be served by a generation solution. But as we all know, over the years many many people have tried to locate generation in San Francisco to solve San Francisco's problem. It has been very very difficult; to the point of much of the controversy today deals with the existing generation that is in the City.

And when we conceived of this project basically what we saw was there was a very similar

situation between San Francisco, which is a very large important load at the end of a radial transmission system, and a situation that we were aware of in Long Island, which is a very large load at the end of a radial transmission system.

It's very similar problems incurred there, and that is very difficult to build generation.

So what was the solution? The solution was a high voltage direct current transmission system that came from the adjoining states. And as we looked at that system and compared it to San Francisco, in concert with a business solution that we can promote with the City of Pittsburg, we said this is probably the ultimate long-term solution for San Francisco.

DC, what is DC and why is it different than AC? DC basically mimics generation. It acts very similar to the delivery capabilities of power as does a generator. To the point you might liken it to a water pipeline system where water will flow in that pipeline system based on a path of least resistance. It's very similar, and matter of fact, very similar to the way an AC transmission system works.

The DC system like puts a pump in one of

those pipes. You turn the pump on and exactly the amount of power and water that you want to flow will flow. So, in our solution here it effectively brings all of the generation and transmission that exists in Pittsburg into San Francisco without bringing the generation there.

So the solution provides a technical solution to the problem without the inherent disbenefits of the historical solutions. We're not trying to locate new generation in San Francisco and all of the controversy that that creates. All of us have probably been following the Jefferson-Martin approval process. DC has no EMF. And so it solves the problem without the inherent problems.

A little bit about the project, and then I want to get to, at the very end, we made a presentation to the California ISO stakeholder process in July to look at some of the, let's say the need aspects of this project.

Ultimately the project has to be approved by the California ISO and the Federal Energy Regulatory Commission. The business solution is such that when the project goes into commercial operation the project assets will be

owned by the City of Pittsburg; and the project's transmission rights will be transferred to the California ISO.

The present entity that owns the project, TransBay Cable, LLC, which is a subsidiary of Babcock and Brown, will become a PTO under the ISO's tariffs. And this whole structure will also need to be approved by FERC. So that's the business solution.

The technical solution, as you see by this particular map right here, the project provides transmission from the substation in Pittsburg to the substation in Potrero. The entire route, whether it's the short AC lines between the substation and the converter station, or between the converter station in Pittsburg and the converter station in San Francisco, they're all under water or underground.

The converter station, itself, some of it looks like typical substation equipment with buss bars. It also has capacitors. And probably the primary difference is it has a valve fall which purpose is to convert from AC to DC on one end, and from DC to AC on the other.

The line, as I said, proceeds from

Pittsburg. Here's an aerial shot of Pittsburg. On the lower right-hand side you see the proposed converter station. An AC and a DC line will proceed from that converter station up to the Pittsburg substation on the upper left.

The DC line will continue under water to San Francisco where you see the DC line on the right-hand side entering one of several possible sites in San Francisco. And, again, the AC line proceeds under water and underground over to the PG&E Potrero substation. So, physically that is the nature of the project.

One of the things that makes this project feasible, I think the ISO has studied other transmission routes into San Francisco. And if power could be brought from the East Bay into San Francisco that probably also would provide a solution; whether it's AC or DC.

One of the advantages of DC is it is made to be installed in a cable system in the Bay after a significant amount of effort on our part to look at alternate routes, including the Bay Bridges, the BART II, the BART right-of-way, highways and railroads, have settled on the Bay as the primary route for the project.

We have had significant interfaces with the Army Corps of Engineers, with the BCDC, State Lands, Coast Guard and other agencies about the possibility of putting it in the Bay. And we have come to the conclusion that it is not only possible, it is a very viable solution.

We have selected the supplier of the cable, Pirelli. They not only make tires, they also are one of the few large suppliers of DC cables. This particular ship, the Jules Verne, will bring over the entire 50 miles of DC cable; and install it probably in let's say two campaigns, which I'll get to in a second.

The cable, itself, is a bundle of a power cable and a return cable, along with a small fiberoptic cable for the purposes of communicating between the two transmission systems. The ship will bring the cable, probably start out in San Francisco where the water is deepest. Bring it to somewhere up into the Carquinez Straits; transfer the cable to a shallower draft unit, a barge. And continue the efforts to put the cable in.

The cable will be embedded in the Bay sediments with a machine similar to what you see here. There are several possible technologies for

doing that. This is one. It is a process that has what's called a stinger, a water jet stinger that gently fluidizes the Bay sediments. The cable will drop into that as it is pulled along behind the ship.

Without getting into too much detail here, we have the entire business structure of the project in place, including our relationship with Pittsburg Dunn. We are on schedule with the project. I think recent news is that the City of Pittsburg is the lead agency for the approval of the project. This process does not require or need the input of the California Public Utilities Commission, given that the ultimate owner of the project will be the City of Pittsburg.

So they, in their capacity as lead agency, under the environmental process, we have started our notice of preparation under CEQA. It is, as of today, on the street for the comment by the various responsible agencies as to their requirements.

If things stay on schedule we expect to complete the EIR within approximately one year. We will assimilate those comments; we will look for the various discretionary acts by the

responsible agencies within another three or so months.

It will take approximately 24 to 27 months to install the project after the approval under CEQA. And somewhere at the end of 2007, if it's a 24-month schedule, or in the spring of 2008, if it's a 27-month schedule, the project will be online.

One of the probably at least two key conditions to this project being completed. One obviously is the successful conclusion of the EIR. We have done a significant amount of due diligence and we expect the project will be approved.

The second is ultimately the project has to be approved by the ISO as to its need, and subsequently approved by FERC. So those two approvals we expect to initiate those processes within the very short upcoming couple of months.

As far as benefits and cost of the project, divided this up into sets. One set is what's call the economic benefits, and the other is the reliability and other benefits.

A very simple way of looking at the project from a visual point of view is to do load flow studies and to get the programs to put out a

visual of what is happening in the transmission system.

This particular visual here is assuming that Jefferson-Martin is installed. You can see it in the left of the picture with the green arrows coming up the Peninsula. So it is in the process of operating. The Potrero Plant is on; the Hunter's Point Plant is off. And our project is off.

The next slide shows a remarkable difference in load flow. You can see the TransBay Cable now is in operation on the left. This particular graph shows the impact of 600 megawatts on the grid. And basically the difference between these two slides directly transmits into a change in congestion.

And if you take this result and you put it into how much does this save economically, we believe strongly that the project has quite a bit of reliability benefits. But from an economic point of view the fourth dash down there, the economic dispatch, we think that either a 400 or a 600 megawatt project will save on the order of $55 million a year.

In addition to that, because the power

no longer has to flow around through the East Bay, up through Newark, or from the South Bay and up the Peninsula, basically it's a shortcut directly from Pittsburg, there also will be a savings in total system power that's required to let's say energize the Bay Area grid. And that's on the order, on peak, of about 35 megawatts.

So on peak we need 35 megawatts less power in order to operate the grid with the project on than without it. And that results directly, if we have a 600 megawatt system of $19 million a year in savings based on our analysis, or $16 million a year if it's a 400 megawatt project.

The other two items that we studied, which I haven't put all of the details on, project deferrals. In other words, are there other projects that this project, if installed, could obviate the need for in the PG&E system. We found a couple but we will say that they're negligible.

RMR, we feel that there are some RMR advantages of the project, but we can't calculate them. For example, if you take 200 megawatts of RMR out of San Francisco it seems to us that the Greater Bay Area also is a transmission island.

You need to put it in somewhere else. But what the cost differential of that, if any, is, we can't calculate that. The ISO is not looking at that.

So what we see is if we compare those benefits the $75- and $71 million, on average the 600 megawatt project, we feel, will cost, on the order of $70 million a year to pay back its capital costs, property taxes, insurance, O&M costs, easements, rights-of-way, franchises and that. Whereas the 400 megawatt will save on the order of about $20 million a year.

In addition to the economic benefits, so we would suggest that subject to confirmation by the ISO, that either of these projects will pay for itself. In addition to that there are environmental, as well as enhanced reliability benefits.

The environmental benefits primarily relate to once and for all allowing the shutdown of all generation in San Francisco. Obviously those folks that have been following the San Francisco equation, they may be shut down by the time we come online. There are some -- there are very old power plants. I believe that the

Hunter's Point Plant is promised to be shut down if Jefferson-Martin is installed. And there are other things going on in the City that if we are the cause and effect, fine. If we're not, at least we were there as the insurance policy.

The additional economic benefit or environmental benefit has to do with the system loss savings having to do with the production loss or production -- lower production requirements for power in the Bay Area.

As far as enhanced reliability, because, as I said before, because this DC technology mimics generation it provides a generator-type solution to San Francisco. Power lines also have more reliability fundamentally than does a generator.

Importantly this line completes the Bay Area transmission route. We feel it is perhaps an ultimate solution for the Bay Area grid. As far as increased security, it's in a totally different corridor. One of the things that we studied when we conceptualized the project is to not bring the power from an already existing serving substation in the Bay Area. We chose not to bring it up the Peninsula. It's in a whole new corridor, which

should supply additional security over existing solutions.

As far as load-serving capability, we've recently completed another iteration of our study. And it is very interesting. And that is that a 400 megawatt or a 600 megawatt solution will serve the load in San Francisco until approximately the year 2016.

If we were to switch the project to what's called a bipole system, two times 300 megawatts instead of one times 600, effectively putting two cables in and two converter stations on each end, the load-serving capability of the two times 300 megawatt system would be 2030 as the load-serving capability. I understand that that is a very significant conclusion.

And right now, where we are as far as status of the project, our efforts with the ISO, we are in the process of documenting our report that we summarized on July 22nd to the stakeholder group in San Francisco. We intend to submit that report to the ISO within the next week or so. And basically request, as part of their ongoing efforts with the stakeholder group, to consider this project and to ultimately, as I indicated, it

is necessary that they, in fact, approve the project or the project won't happen.

So that concludes my remarks. I have a few other slides here which I won't go into in the interests of time. And if you have any questions I'll be happy to answer them.

PRESIDING MEMBER GEESMAN: Thank you, Mr. Parquet. In light of the fact that both Commissioner Boyd and I are assigned to the San Francisco AFC, I'm going to ask Sandra to make certain that your slides are docketed in that proceeding, as well.

MR. PARQUET: Okay.

PRESIDING MEMBER GEESMAN: And I don't think I had anything to add other than to thank you for updating us on a very interesting project.

MR. PARQUET: Okay, thank you.

PRESIDING MEMBER GEESMAN: Best of luck to you.

David Geier, San Diego Gas and Electric.

MR. GEIER: Good morning. My name is Dave Geier and I am the Vice President of Transmission and Distribution for San Diego Gas and Electric.

First of all, I'd like to thank you,

Commissioner Geesman and Commissioner Boyd, for having us here today, and really for addressing this very important issue for the citizens of California.

I'd also like to thank Keith from the Parks and Rec. I mean some of his comments about how we're working together in San Diego, I think, are right on. We had a catastrophic fire in southern California and for anyone who wasn't down here, the devastation was just amazing. You know, lots of loss of life, private property. We worked for three weeks putting our system back together.

And the line he mentioned along highway 79 was a project that sort of lingers on. And that isn't a bad thing necessarily. That shows cooperation. I don't think we realized, going in, basically our mission was to get everybody restored. And I don't think we realized going in how important it could be to work with the Parks on the re-alignment of that line. It took all of us, I think, probably weeks to figure out that maybe there's a better solution.

And I think the key thing is that working together we came up with a better solution in the end. It took a little bit longer, but I

think that as we look forward to licensing high voltage transmission lines, that's going to be the key, all the agencies working together.

So we really support this effort by the CEC. The idea of long-term transmission has to fit right in with resource planning. And both of those proceedings are going on now. It's just integral to the delivery of safe reliable power to our customers.

And the stakeholder process really does need to be expanded. I guess one comment I would have there is that we need to make sure that this isn't another layer of process. This has to work with the existing process, has to work with all the stakeholders. And hopefully we'll streamline that.

And my last couple words there, recommended solutions. We need to get there; we just can't be talking about this. We really need to have some solutions.

SDG&E is really committed to -- we talk here about building electric transmission. Really for the reliability of our customers in the previous presentation you heard a little bit about RMR, about costs associated with congestion.

There's a huge economic benefit that we really need to deliver for our customers. Basically they're just paying too much now for their energy in California.

Also another big benefit we have in the future here is the renewable generation and allowing transmission to connect to those renewable resources. And particularly in our case, at the Salton Sea.

Basically our key points there is that really transmission is needed in California. I think we all know that. The current process is broken. It's taking way too long. I mean if people followed our Miguel Mission No. 2, you know, it's two to three years late. And we're working on trying to expedite that. But we really need to be a process that will allow us to build new transmission.

And quite honestly, that project was a fairly easy one from a corridor perspective. It's all existing corridor. And a lot of our new transmission lines are going to require new corridors and going to be much more difficult and we'll have to work much harder to get there.

And we really encourage working on the

existing process. So why new transmission in California. First of all we talk about reliability. The big thing that's coming up, I think, is with all of our goals for 2010, and looking at some of the bids that are out there, and some of the potential resources, there are a lot of renewables that are available and they need to be connected to transmission.

Again, I mention the cost to our customers. And that really comes, you know, as far as reducing RMR. The bottom point is we really need a balanced resource plan. And transmission fits in that resource plan.

So basically we're using the same stack approach that's been adopted by the state, looking at conservation, demand response programs, then renewables, then more transmission, and finally generation.

So the interesting thing is that transmission is related to all of the pieces of the resource plan. If you look at that, you know, some will say well, we should do more energy efficiency, do more demand response, and I'm in agreement with that. That does impact the transmission. It actually pushes transmission out

further. But we need to know that as we're doing our planning.

Distributed generation is the same. It pushes the projects out. In the renewables area I mentioned the Salton Sea. Other areas that we need to be able to connect those renewables and deliver them from remote areas where they are into the populated areas.

And then convention generation. Obviously there's projects need to be built to support conventional generation, also.

How do we improve the existing process. I think one thing that's on the table right now is having the ISO determine need. We fully support that. I think working closely with the IOU planners, and the planners at Cal-ISO. I believe we could get there as far as really, you know, nailing down the need from a technical point of view; and hopefully we don't have to go back and revisit that.

It's currently part of the process that's broken right now is that once need is determined part of the CPCN process is you have to go back and determine need again. So we really need to fix that. And I think we're making good

progress towards that.

Part of your plan was corridor planning. It's absolutely necessary. I think that really what we're looking at is we really need to balance, and as Jane mentioned, you know, we really end up balancing the environmental concerns, the energy concerns, the stakeholder concerns. We all need to work together to get a balance so we can get new infrastructure.

And I do use the word infrastructure, not transmission. But new infrastructure for California. That may be things in the demand response area; it may be generation; but we need energy infrastructure.

The timing is critical. We mentioned Miguel Mission No. 2. We're out there working right now on that project. You know, this sort of looks like the watch list that was mentioned earlier, also. I mean all these projects are on the watch list. The first time I saw that, it sounds like well, that's what I'm going to be doing for the next five years.

But these projects are all on the top of our mind. And Mission Miguel, we have approval for that. We're in the process of building that

right now. The transmission to connect the Otay Mesa Power Plant; we have the CPCN filed on that. With a decision hopefully in the spring of next year.

And, you know, we have in our resource plan a new 500 kV line. And that we have for 2010, but quite honestly I think we all need to be thinking in a different paradigm here. It's not a 2010 project; it's not exactly -- it could go forward a year or two, potentially if we have a real hot summer and the demands go up. Or it could go back if we get more demand response, more energy conservation.

So the question isn't really exactly when -- or it is a question -- the question is that we need to do it sometime in the future. You know, not exactly in 2010, but we need to make sure we have the planning going for that.

As we go forward on the new planning process, you know, I think, as I opened up, we really need a process here that overlies the current process. I think that we have all the key players. We have the PUC, we have yourself, the ISO, the IOUs. We all need to work together and to improve that process. And really with the goal

of getting some things done; getting some projects licensed; and moving forward.

As far as the concept of a social discount, we think that's definitely worth investigating. I'm not sure we have a position on that right now, but it's a very interesting concept. And I think what it does, it sort of emphasizes the importance of what we're talking about today.

Corridor planning, it's absolutely necessary. This is one area I think that we have fallen down on. It must be done in advance of the transmission line. If we wait until we get into a CPCN process, we're too late. The paths are disappearing quite rapidly. I think that we don't really have time to argue about corridors when we're in the middle of a CPCN process. It should be identified.

It is going to be a lengthy process, I think everybody acknowledges that. And we really need to get started on those now.

As far as the recommendation to develop designated corridors across the state and federal lands, you know, I think that is key. Again, as Keith mentioned, I think working collaboratively

is the key there. And we really need to balance all the needs as we move forward.

There's another question about the timeframe for recovering investments for corridor acquisitions. Quite honestly, as we get to the high voltage transmission, five years isn't enough. I mean we've seen that the planning process is more like an eight- to ten-year process sometimes. And we want to be ahead of that process. Five years just doesn't work.

Access to renewables, I already mentioned that. That we support forming a stakeholder group for the Salton Sea geothermal projects. That's a huge resource out there that hopefully will come together. And the combination of renewable generation and the transmission to deliver that to the load center.

In summary, again I applaud you for your efforts that the licensing, construction of new transmission is really key to the energy future in California. It's part of the resource plan, and as I mentioned earlier, it ties to every piece of that resource plan. So we need to make sure that we do a good job of this.

I believe that we all can work together

on this, including all the state agencies. The energy action plan is a good example of that. But we must work together, and as I mentioned, expedite some of the transmission.

Corridors, again, need to be dedicated in advance of need. And I think we really need a mindset here, also. I think sometimes we get in these projects and everybody throws up roadblocks and impediments to the process. I think really what we need to do is work together up front; realize what everybody has at stake in the game; and work with resolve to resolve those roadblocks and actually to license new transmission in the State of California.

Thank you.

PRESIDING MEMBER GEESMAN: Thank you, Dave. Questions?

ASSOCIATE MEMBER BOYD: No questions.

PRESIDING MEMBER GEESMAN: Thanks.

Someone from Southern California Edison. I'm sorry I don't have your name.

DR. KONDRAGUNTA: Good morning.

PRESIDING MEMBER GEESMAN: Good morning.

DR. KONDRAGUNTA: My name is Mohan Kondragunta and I'm from Southern California

Edison Company.

Commissioner Geesman and other Members of the Commission, thank you for the opportunity to speak to you today.

I'm here to provide SCE's comments based on the review of the CEC's draft white paper upgrading California's electric transmission system issues and actions for 2004 and beyond.

Before I go into my comments I'd like to say a couple of words. First I wish to express Pat Arons' regrets that she's unable to join you today. She has taken an active interest in these proceedings and has appreciated the Commission's interest in getting the utilities' perspective. Please be assured that Pat had a hand in the preparation of these remarks.

SCE supports the white paper in general and the staff is on the right path in addressing the majority of the issues involved in upgrading California's transmission system.

SCE generally agrees with the staff's recommendation to conduct strategic benefits of the transmission line project in the upcoming 2005 IEPR process.

SCE will be submitting written comments

on all three white papers that are being submitted for the Committee's consideration in preparation of the Committee's report.

First of all, let me add, (inaudible) use corridor planning and development as it was mentioned in the paper. It was state and federally owned land facilities need to be addressed to meet the long term, which is probably 20 to 50 years, of the need of the society.

Corridor planning will provide better information for transmission planners. And to do the transmission planning.

SCE also supports the concept of nontransmission alternatives before the beginning of the transmission planning process. These nontransmission alternatives, such as DSM, DG and so forth, need to be considered either in the load forecast or in the resource planning process.

Local public involvement is crucial in the successful siting of a new transmission line. As the regulators have seen, public involvement in all transmission projects in the past. The acceptance of proposed route for a transmission line by local communities is probably one of the most difficult and important activities in siting

a new transmission line.

Local communities need to understand that the existing transmission line conductors have limited capability, and as communities and regions start growing and developing, new capability must be installed to meet the energy needs.

Regulators and utilities need to work together to educate the public in order to successfully demonstrate that transmission is the best solution to meet the energy needs of the state.

Transmission construction is very difficult to accomplish. Successful development of new transmission requires processes and avenues that are more effective than what we have in place today.

We do not need to run other gauntlet in the already burdensome, uncertain and all but impossible to succeed in the CPCN process. Your clarity will be to balance the needs of the individual public interest opposition and with the greater good of the society.

Now if I can take a minute to address the specific question that was addressed to the

chapter 6 of the report regarding the Tehachapi CPCN process.

SCE is in the process of working on the CPCN and we will try to meet the December 2004 deadline. And we'll also be submitting a progress report during the first week to the CPUC. And we'll be glad to send a copy of that progress report to the Commissioners.

That's all I have today.

PRESIDING MEMBER GEESMAN: I want to thank you very much, and we do look forward to receiving your written comments as well.

DR. KONDRAGUNTA: Okay, we'll do that.

PRESIDING MEMBER GEESMAN: And please convey our best to Pat. She's been a valuable contributor to this process from the beginning.

DR. KONDRAGUNTA: I'll do that, thank you.

ASSOCIATE MEMBER BOYD: Thank you.

PRESIDING MEMBER GEESMAN: Someone from PG&E. I recognize Les Guliasi. Didn't have your name written down in advance, Les.

MR. GULIASI: Thank you. Good morning, Les Guliasi for Pacific Gas and Electric Company.

I want to focus my remarks today on

three areas. First I want to talk briefly about the corridor concept. Second, I want to talk a little bit about the question you posed with respect to potential changes to CPUC regulations to enable utilities to property and ratebase longer than current practice permits. And third, I want to talk a little bit about what PG&E's role is in helping the development of renewable power in the Tehachapi area. I guess I'd be addressing question 6B of the staff's Q&A.

First, with the notion of corridor concept. The corridor concept is actually, I think, an excellent model to begin focusing our attention on what needs to be done with transmission planning in the state.

I think that staff and the Commission, as a whole, has done an excellent job to shine light on an important issue that really does need to be illuminated. I think it reflects the kind of original thinking that we need if we're going to make transmission planning in the State of California a more rational process.

But like a lot of ahead of the pack, where out of the box original thinking, I think, you know, we still are bogged down by conventional

wisdom and by the conventional processes that we're basically stuck with. Whether it be at the ISO or the CPUC.

We think the remarks from San Diego Gas and Electric about the need for a better stakeholder process is important. And I think if we embrace those ideas we'll go a long way toward breaking some of the deadlocks that we've seen in getting transmission projects built on a timely basis in California.

The idea of securing transmission corridors, whether it's through land acquisition, securing rights-of way or easements, is a good idea. And it's the kind of thinking that we need to do. And it could go so far as to holding land in the public domain for the benefit of the public.

I think a lot of the work is going to have to start here with the CEC. And the work that you can do leading the way to coordinate between federal and state agencies where land acquisition might be key, I think a kind of interagency coordination in that is going to need to take place, it's something that you can lead.

The IOU role here, as I see it, will

come into play once you decide which paths are needed; what land might need to be acquired or held in the public benefit. And I think the idea that Dave Geier just mentioned with respect to timing is key. That is, you can't get into these debates in a CPUC proceeding at the Public Utilities Commission, need to identify up front what land is needed and the timeframe for that land acquisition for those rights-of-ways before you get into the CPCN process at the Public Utilities Commission. If you wait to have that debate at the CPCN those dates, then it's too late.

Second, the idea of what changes might need to be made to public utilities regulations to enable utilities to hold property in ratebase is a good idea. I want to commend you on raising that issue.

As I understand it, I believe the CPUC would be receptive to that idea if such a change would help advance the state's goal to accelerate renewable development in California. Whether that change needs to be made through CPUC practice, or actually a change in regulations through legislation, it's something that we support. We

would actually offer our help to you. And as I said, if it does require a legislative change, we can work with you on the development of some legislation.

I think that's the kind of specific reform that would contribute to a more rational, long-term planning model for the state.

We've talked many times before about how we've suffered from the lack of that kind of rational planning, from the Balkanization of the regulatory siting process, the planning process in the state. We still have multiple agencies, regulatory agencies, involved in transmission planning and siting approval.

As a company we focus a lot of our attention at the ISO where the transmission planning work actually gets done. And at the CPUC where we have to file the CPCN applications and work through that process. And assure that we receive cost recovery for the projects that we invest in.

The third area is speaking to address the questions that were posed by the staff. As I understand it, there was a workshop last week at the California Public Utilities Commission on this

whole question about the CPCN process, to insure that we have transmission resources to bring the renewables to market.

Now, I may be a little bit out of date on this, because I wasn't in attendance at the workshop. And I received this information second hand. But what I've learned is that the ISO is considering a couple of options. One option would be a connection, a 500 kV connection, from the Tehachapi area to PG&E's Midway substation.

Another option would be a 500 kV line in Edison's system. And I'm not aware that upgrades to path 26 have been identified specifically for what would need to be done for renewables, per se.

As I understand it, there are some discussions going on with the ISO looking at both high and low cost options or scenarios for upgrades to path 26 to improve reliability in southern California. So I believe that's been the principal focus, not as much on the renewables focus.

With respect to timing, it would be important to reach resolution about the preferred path or the preferred options by the end of this October. And if we, you know, can move that

swiftly, here, again, timing is of the essence, we can move forward with what might need to be done to file the CPCN with the California Public Utilities Commission for whatever facilities we might need to build.

Of course, timing really is also a function of how fast the wind develops in that area. And I don't want to get into a chicken-and-egg discussion or debate here, but you know, some would say if you have the transmission, the resource will develop. Others will say, if the resource is there, the transmission can follow.

So I think, you know, clearly the answer is working simultaneously on both fronts to insure that both the transmission capability is there, and the physical infrastructure is built while developers are moving forward with their development, as well.

So, if we want to accelerate and have those renewable resources available to us as soon as 2010, we're talking essentially about having resolution about what needs to be built so that we can file applications at the Public Utilities Commission, I'd say within a year to 18 months.

Thanks. Those conclude my remarks. Do

you have any questions?

PRESIDING MEMBER GEESMAN: Thank you, Les. I don't believe I do.

ASSOCIATE MEMBER BOYD: No questions, thanks, Les.

MR. GULIASI: Thank you.

PRESIDING MEMBER GEESMAN: Armie Perez, Cal-ISO.

MR. PEREZ: Good morning, Commissioners.

PRESIDING MEMBER GEESMAN: Good morning.

MR. PEREZ: It's always a pleasure to come here and to see you. And I give you my thanks for allowing me to make a couple of comments.

Mr. Geesman is quite aware of the physical conditions at the ISO, so after seeing your imperial room here, you've made it a little harder to go back to Folsom today.

I want to, first of all, congratulate the staff. Maybe you need to be a transmission planner to appreciate how good this is, but this is excellent work. And I think they should be congratulated. I really appreciated seeing that.

I also wanted to express my appreciation to, I believe it was Ms. Turnbull. I think the

statements that she made couldn't be more in agreement with the way I feel about items, and I really -- it's nice to hear somebody else say that.

I think you all know that we support an integrated transmission planning process that includes resource planning across the state. And I think that requires the involvement of all the utility agencies in California.

That's the only way that we're going to make the right decisions to determine what transmission investment is needed. And I think this is part of the process that we have done.

I want to talk specifically about a couple of recommendations. Regarding corridor right-of-way studies on selected projects, we definitely support something like this. We think it might be appropriate to form some sort of a task force that includes the CPUC, the CEC, the ISO, probably DOE and the PTOs to develop a policy for designating utility corridors across the state or federally owned lands. And this policy should consider multi-use corridor planning as suggested in the white paper.

The ISO planning process now evaluates

transmission needs ten years from now and usually longer than ten years from now. It doesn't make a lot of sense to have something that says that you can retain a corridor for five years when you just determined you're going to need it in ten.

So it really makes sense and we think we should go forward with something that allows the maintaining corridors for longer than the five-year period. And whether it's 10 or 12, we can argue about that later. But definitely the five needs to be changed.

Regarding the question of using social discount rates, we need to probably understand it a little bit better. For example, how are the discount rates in the sectors like transportation, agricultural, water resources, development and land use, how are they used there for economic appraisals.

How do those cost recovery mechanisms compare with the California ISO control grid cost recovery mechanism. So there's more work to be done there, and we certainly would like to be a part of that.

Regarding operational issues, I think we mentioned the Tehachapi before. I think right now

there's a possibility of 4400 megawatts or so of wind generation. That wouldn't be too bad if you spread it through the state, but it's over concentrated in the same geographical area.

It is possible that you may have 2000 to 3000 megawatts of swings in the generation depending on what the wind is going to do. We really don't know exactly how we're going to handle that kind of a swing. We're definitely looking at folks in Europe and see how they do it. And to the degree that we learn something and you folks would like to either be part of it or involved in what we learn, capacity, we'll be happy to do that.

I just have one more comment. If you listened to Mr. Parquet's presentation at one point in time he says if this doesn't happen we're there as an insurance policy. And on page 16 of your report there's a discussion about the value of insurance regarding to transmission. I can see John's already laughing because he knows where I'm going.

I really think we need to do more to determine what the insurance value of transmission is. And I'm not talking so much as doing, for

example, an M-3 and determine what loss of load probability is and all of that. And really trying to figure out a way to not only quantitize that, but to make it acceptable to the regulatory agencies. So after we do it they say, well, that makes sense.

That's all I have. Any questions?

PRESIDING MEMBER GEESMAN: Thank you, Armie. I don't think I have any.

ASSOCIATE MEMBER BOYD: No questions, thank you.

PRESIDING MEMBER GEESMAN: Thanks, again. Gayatri Margaret Schilberg from JBS Energy.

MS. SCHILBERG: Good morning, Commissioners. My name is Gayatri Schilberg; I'm a Senior Economist with JBS Energy. And I'm representing TURN, The Utility Reform Network, a ratepayer group in San Francisco.

We've not been very active in this particular proceeding, although we are active in proceedings at the Public Utilities Commission and the ISO.

There are three topics that I wanted to comment on this morning. The first is the use of

a social discount rate. TURN is very concerned about this possibility. By using a lower discount rate, of course, more projects would look to be cost effective. And so I think before any such decision is made to go with this methodology several things need to be considered.

First, there could be a distortion in resource allocation within the energy sector, itself. For example, if energy efficiency, if generation are all using the cost of capital as their discount rate in analyzing if they're cost effective, if then transmission uses a lower rate and looks more cost effective, we may be building too much transmission and not doing enough energy efficiency.

PRESIDING MEMBER GEESMAN: Now, I should point to to you that the Commission has historically used a social discount rate in evaluating the costs and benefits of its appliance efficiency standards and it's building standards, both the residential and the nonresidential sectors.

And, in fact, it's been that experience from the Commission's efficiency process that has really stimulated our thinking in applying a

similar discount rate to transmission investments. Again, under a public good theory, which would suggest that the cost of capital assessment to the private actor, itself, be it the homeowner or the sponsoring utility, fails to properly capture the full social benefits gained from the investment, either in additional efficiency or in additional transmission capacity.

MS. SCHILBERG: Yes, well, at the same time when transmission is at the PUC, then the capital of the utility will be allocated using its cost of capital, not using the social discount rate. So there still is a problem by the time we get to the actual expenditure. That was my first point about the discount rate.

The second is that if we're going to look from a societal perspective at the benefits we need to also be looking from a societal perspective at the costs. The current transmission benefit/cost analysis, for example, doesn't include environmental externalities. It doesn't include the fact therefore that California as more emissions requirements than do other states.

And so if one goes ahead with any sort

of societal social discount rate we have to be looking not just at the societal benefits, but also the societal costs. And the differential societal costs.

Another aspect of this is analysis of risk. Currently one of the benefit streams that people look at for analyzing transmission is the difference between prices at different hubs. For example, in the current ISO methodology they're looking at market power.

There is a certain risk in the projection of the price differentials. And any scenario that is projected is going to have a certain variance around it.

Now, by using a social discount rate, a lower rate, say 2 or 5 percent, we're almost assuming that there's less risk around that scenario. In other words, if such a methodology is implemented, risk somehow has to be taken into account so that you differentiate between a risky scenario with the societal discount rate and a firm scenario with the discount rate.

PRESIDING MEMBER GEESMAN: Is that any different than what we would do in the efficiency area?

MS. SCHILBERG: My suspicion is that the price assumptions about what future prices are going to be at future hubs and how much market power is going to be there is more variable than the variance around what customers are likely to save with these appliances. That's just an off-the-cuff hypothesis.

The last item on this social discount rate, this is an idea that if it's decided to go forward with using a social discount rate there is the possibility of choosing projects that are not -- there is a possibility of choosing bad projects.

And therefore in order to kind of counter that tendency one could consider that if you use a lower social discount rate, that you use a higher benefit cost threshold. In other words, instead of having a benefit cost of 1 or a little bit greater, go up some higher number like 2 or something higher, to make sure that the benefits of whatever the project is are quite significant.

in other words it's not just a marginal 1.1 or something like that.

PRESIDING MEMBER GEESMAN: Now, I should say in almost 30 years of looking at this, I'm

aware of some bad power plant projects that the state has approved.

Can you point out any bad transmission projects?

MS. SCHILBERG: No, I'm not prepared to do that.

PRESIDING MEMBER GEESMAN: Yeah, I can't, either. And that's from having searched the record for a long time and asking virtually every witness that has come before us in these public workshops to point to any white elephants or under-utilized projects.

Our experience has been that we haven't been able to find any. And our experience has been that the benefits very quickly exceed the planning assumptions that are used when the initial investment decisions have been made.

And as a consequence I think it's hard to avoid the conclusion that the risks in this particular field are fairly asymmetric. That there's a much greater risk of under investment, which we've experienced, than there is of over investment.

MS. SCHILBERG: Thank you. The next topic I wanted to talk about is insurance, because

there has been a movement afoot to allocate an insurance value to transmission.

And I would just caution the Commission that if an insurance value is to be allocated that at some point we ask the question, then, when are we over-insured. Because, of course, in the energy sector we now have increased reserve margins. We have advanced contracting for 90 and 95 percent of the load. We have energy efficiency. We're working on demand response.

We're looking at many areas, at finding insurance in many areas. And, of course, the last increment is always the most expensive. So at some point we have to ask ourselves when do we have enough insurance.

And any insurance value here needs to be incremental to all the other insurance programs that we have in the energy sector.

PRESIDING MEMBER GEESMAN: Well, I think in 1988 when the Public Utilities Commission first denied the IOUs participation in the California/ Oregon Transmission project, that argument might have been able to have been made.

But I think that the residents in the Bay Area that suffered a half dozen blackouts in

2001 because of the absence of the Path 15 upgrades would disagree with the conclusion.

And I think in retrospect it appears pretty clear that that would have been a wise insurance investment to make in 1988.

MS. SCHILBERG: Okay. The last topic I wanted to mention is the banking of corridors. I think the original PUC decision was made because there had been some abuse of the capability of the utilities to inventory property for future use.

And so whatever steps are taken to change the rules as needed so that transmission corridors can be held for a longer time need to keep in mind that we don't go the other direction, overkill and allow utilities to be carrying a lot of property for a really long time.

My question is also, though, I wonder if FERC doesn't have rules already about the transmission under its jurisdiction and the ratebasing rule with respect to FERC transmission. Because I know the PUC decision that you're referring to was before FERC received jurisdiction over the transmission. So I'm not sure that the PUC is the correct agency to be going to at that point.

That concludes my remarks. Thank you.

PRESIDING MEMBER GEESMAN: I think that last point is a good one, that we need to check out to determine what role FERC jurisdiction does play on these ratebasing questions.

I guess I would add that I, in general, have been quite encouraged by TURN's approach to transmission in the past, at least as it's been embodied in my friend, Mike Florio's, votes at the ISO.

During my short time on the board there the projects that we considered were the Path 15 upgrades, the Valley Rainbow project, Jefferson-Martin and the Mission Miguel project. In each of those Mr. Florio and I traded off being either the sponsor of the motion or the seconder of the motion. And I think his focus on the ratepayer benefits from investments in this needed infrastructure have been pretty persuasive all around state government.

MS. SCHILBERG: Thank you.

PRESIDING MEMBER GEESMAN: Thank you.

ASSOCIATE MEMBER BOYD: I would just say your points and your cautions are well taken, albeit cautious and conservative. But I think

Commissioner Geesman made a lot of good points. With regard to risk and reward, we really need to explore risk and insurance and how far out on the curve of risk you go. The super-conservative approach of the past has not served us too well.

So your points are well taken, but we've got to take some risks if we're going to bail ourselves out a little bit here. So, good points.

MS. SCHILBERG: Thank you.

PRESIDING MEMBER GEESMAN: Bob Burt from the Insulation Contractors Association.

MR. BURT: Bob Burt representing Insulation Contractors Association. I should say at the beginning that our primary interest here is like almost all the rest of California, that we'd like to see the current there when the switch is turned on.

We do have some points that are unrelated to each other that I'd still like to make. First, we agree with the point that you should start early when you're discussing demand reduction items. But our experience has been that prediction of what a specific demand reduction program will do has not been very good.

We have improved our measurement

evaluation so we've got a pretty good idea of what is accomplished by programs in effect. But we have been disappointed or surprised by programs when they were first proposed and then implemented.

So my suggestion is that in this process you concentrate more on the use of programs that are there, an encouraging new but not betting much on what you're going to get from those new ones.

My second point is that we should regard the East Coast blackout as a warning. And in your planning you should include serious attention to any efforts to prevent blackout spread. After all, the general consensus now is that the East Coast blackout was caused by some stupid errors in one utility. Well, the West Coast has enough utilities operating in the net that we can't be sure that one of them wouldn't some time be stupid.

My next point deals with the possibility of a terrorist threat. And I don't think we can assume that we can prevent. But I can tell you my past life I was in military demolition, and it's easy to carry demolitions necessary to drop a tower. One person can do it.

Now, I don't think we can guard all our towers. But we could do such things as having erector set tower replacements available so that if a tower is dropped, it can be more rapidly replaced.

The next point I've found myself crossing out most of the items I had planned to address on social discount. Our Association does not ordinarily see eye-to-eye with TURN, but I believe that almost every point that TURN just finished making we would agree with.

And I would add that the fact that power plants have found themselves fully used is not something we can be too sanguine about, in view of the fact that we have had many periods when utility dispatchers were phoning all over the west looking for one more kW.

So, I think that the points that were made were valid. I think the main thing we have to concern ourselves about is the possibility of when an item goes into the utility discount rate, where the utility is receiving a rate of return on it, you are talking about a lot different money than a social discount rate.

I think it's fully appropriate to use

social discount on such things as agency costs and regulatory costs where you're talking about action that at least resembles the costs that come from the state bond issues and so forth.

And finally, and again an unrelated point, I have been working as a lobbyist for different agencies since 1970, so I think I can say I have some familiarity with the process.

If you need legislation I urge you not to let others write is. Your own counsel are quite competent. And you need to write legislation which asks for what you need, and which can be strongly and logically defended, preferably by California and West Coast examples. And I commend the staff report for much of that sort of thing.

The only other caution I would raise is that when major legislation is before the Legislature, it's an irritating process. But the fact is that they feel a little bit disgruntled if they have a major piece of legislation and they don't see somebody there, a senior from the agency that's looking for it.

As a footnote on that matter of ask for what you need, you can assume that your

legislation will draw out every NIMBY representative there is. They all have much more noble titles. And if, in fact, you're forced, because you can't defend some part of it well, to accept an amendment, the door is open because there are two routes to killing legislation.

One, just you got the votes and you stop it. The other is you amend it to death. So that's for the justification for my point, ask for what you need and what you're sure you can defend.

Do you have any questions?

PRESIDING MEMBER GEESMAN: Thank you, Bob. Good to see you again.

ASSOCIATE MEMBER BOYD: Thanks, Bob.

PRESIDING MEMBER GEESMAN: Ed Chang, Flynn Resources Consultants.

MR. CHANG: Good morning; I'm Ed Chang with Flynn Resources Consultants, Incorporated. I'm here today to represent the Bay Area Municipal Transmission Group. It consists of the municipal utilities of Santa Clara, Alameda, Palo Alto and the acronym is BAMX, B-A-M-X, whose objective is to promote reliable electric supply to and within the San Francisco Bay Area at reasonable cost.

Commissioner Geesman, Commissioner Boyd,

thank you for allowing me to speak today. First of all, I'd like to endorse Armie's comment about the staff's report. I think it is an excellent report.

I'll be commenting in three areas. First, the staff report, and then a comment on corridor planning. And then how the California Energy Commission Staff could use its resources in future advanced transmission planning.

The first one, BAMX, Bay Area Municipal Transmission Group, endorsed the general direction taken in the draft report. There's a need to assess the economics of latent congestion, whether that congestion now results in consumers paying a congestion fee for uneconomic generation, i.e., RMR, reliability/must run generation.

Second, quantify the economic benefits to meeting a one-in-ten-year loss-of-load probability in load pockets. This is the ISO-recommended resource adequacy level with a deliverablity test.

Third, although infrequent events need to be discounted by their probability of occurrence, in an economic assessment identify those that are unacceptable and need to be insured

against with adequate transmission.

Lastly, the use of a social discount rate for transmission infrastructure is entirely appropriate. Again, based on the comments in the report and the public benefit and social goods. You can play around with numbers, hundred years, 2 percent, 3 percent. But the whole concept of using the social discount rate, particularly on something that provides multi broad benefits is appropriate.

On corridor planning, corridor planning as proposed is important. Need to prioritize the acquisition of these corridors in congested urban metropolitan areas such as the Bay Area or San Diego area where the value of advanced planning is the greatest.

Current practice of the transmission owners have to be maximize the utilization of existing right-of-ways. That's great. We should utilizing existing right-of-ways. It's good economics. But the time for advanced corridor planning is now.

Lastly, it's critical for the CEC to effectively allocate its resources to maximize the chances of insuring adequate transmission

resources. When potential activities are considered, provide stakeholders with resource needs so that they can prioritize the demands.

Continue to emphasize the need to have a CEC role that complements the activities of the ISO planning and CPUC transmission planning activities.

Thank you, those are my comments.

PRESIDING MEMBER GEESMAN: Thank you, Mr. Chang.

ASSOCIATE MEMBER BOYD: Thank you.

PRESIDING MEMBER GEESMAN: Jack Pigott, Calpine.

MR. PIGOTT: Good morning, Commissioners. As you know, generation is frequently considered an alternative to transmission. But given that you're rarely able to site generation at exactly the place that it's needed, usually every project has a host of transmission requirements that are part of the project. And that's been the case for a number of Calpine's projects.

The Pittsburg project's had some major transmission. And it brings me to one thing that I noticed in the report here which I'd say overall

is an excellent report. On page 68 there's a section that describes the Otay Mesa power purchase agreement, transmission lines.

And when that contract was accepted there was a condition; and that's that these transmission lines be built. It was a condition of San Diego. And they certainly evaluated it, and so did the Public Utilities Commission in their decision.

So the last sentence of this section where it says: to receive the maximum value from this contract, SDG&E needs to construct two transmission lines, neither of which were considered with the cost of the purchase agreement." I just don't feel that that's correct. And if you put a period after "lines" and struck where it says "neither of which were considered" and the remainder of the sentence, I think that that would be accurate.

My other comment, I noticed the recommendation that a Salton Sea geothermal area study group be formed. I think that's a great idea, and I wanted to propose that you might also consider one for the Glass Mountain geothermal resource area. And I realize it's not in here

because I didn't come to suggest it earlier on in the process. But it's another major geothermal area in California that has transmission issues.

And so those are my comments.

PRESIDING MEMBER GEESMAN: Thank you, Jack.

MR. PIGOTT: Thank you.

PRESIDING MEMBER GEESMAN: That exhausts my supply of blue cards. Is there anyone else who'd like to address the Committee?

MR. WARD: Good morning, Commissioners. My name is Mark Ward; I'm with Los Angeles Department of Water and Power.

I'm just going to make general comments based on these particular questions that I received this morning, and then we will send the Commission written comments within the next ten days.

PRESIDING MEMBER GEESMAN: Excellent.

MR. WARD: Specifically, there's been discussion about social discount. We've also looked into the document and there was a discussion about single-use avoidance for transmission. You've asked us about RPS plans and how the City of Los Angeles, along with other

munis, may participate in this particular process.

Social discount rates apply to transmission for Los Angeles, I think we need to look at whether transmission is being done for public good. And I think we equate that to reliability issues. Or if it's being done as a merchant type of project. And I think those two types of considerations need to be made.

Additionally, I think TURN had made comments about there may be some issues looking at a social discount rate versus rates that the developers actually end up having to be applied.

There was some comments in the document concerning avoiding using single-use transmission. From Los Angeles's perspective we believe that each project should be determined and justified based on those justifications that support each project, whether that project is a stand-alone project for transmission, generation or some combination of generation and transmission.

However, any of these scenarios we should be cognizant and would want to be able to protect dedicating any facilities for ratepayer use in the long term.

As an update for Los Angeles's RPS, as

you may be well aware, the Los Angeles RPS had an RFP that went out back in, I believe, June. We're expecting responses back by September. We will be doing assessments through October. And we're expecting a range of projects from locally developed projects, projects up through the Owens Valley and interstate projects which we'll be evaluating on a case-by-case basis.

And lastly, CEC has expressed its interest in incorporating muni input, and identifying joint needs and common goals. And this can be done.

In the past LADWP has worked with Southern California Edison, Nevada Power Company, Arizona Public Service, Salt River Project, Western Area Power Administration, also other cities within the southern California area, Burbank, Glendale, Pasadena, Anaheim, Riverside, Vernon, Azusa, Banning, Colton, others.

However, the challenges will come not in finding our joint needs and common goals, the challenges will come in how any joint projects end up being managed, and how we can participate in those joint projects.

And we believe the challenges will come

from any redesigned FERC market that is being proposed. These challenges will include uncertainties in costs, uncertainty in future rights and uncertainty in future rules. And we believe those are the areas that we -- a great concern for any future joint projects.

Thank you.

PRESIDING MEMBER GEESMAN: Thank you, Mr. Ward. Appreciate it.

Anyone else in the audience that would care to address the Committee? Anybody on the phone, Sandra?

I'm going to take that as a no.

(Laughter.)

PRESIDING MEMBER GEESMAN: I want to extend my thanks to all of you for participating today. As Sandra indicated, the next step will be the release of a draft Committee report in mid September. We'll follow that with workshops in early October around the state. And then present a document for Commission consideration on November 3rd.

Again, I want to thank you all for being here. Manuel?

MR. ALVAREZ: I just have a procedural

question. Is the Committee report that was referenced and workshops around the state, is that going to be just on transmission, or is that going to tie the entire scope of the update?

PRESIDING MEMBER GEESMAN: No, we'll tie the entire scope of the update together into a single document.

MR. ALVAREZ: Okay.

PRESIDING MEMBER GEESMAN: So the document that comes out in mid September for additional workshops will be a single consolidated Committee report.

And then what we release in I believe Sandra's calendar said October 20th, for Commission consideration on November 3rd will also be a consolidated Committee report.

MR. ALVAREZ: Okay, thank you.

PRESIDING MEMBER GEESMAN: With that we'll be adjourned.

(Whereupon, at 11:20 a.m., the Committee workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Committee Workshop; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said workshop, nor in any way interested in outcome of said workshop.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of August, 2004.